Syllabus

Course title: Risk Management and Derivatives
Course code: 25437
Scientific sector: SECS-S/06
Degree: Master in Accounting and Finance
Semester and academic year: 2nd semester 2021/2022
Year: 2
Credits: 6
Modular: NO

Total lecturing hours: 36
Total lab hours: 12
Total exercise hours: 0
Attendance: suggested, but not required
Prerequisites: not foreseen

Specific educational objectives: The purpose of the class is to introduce students to the topic of financial risk management and to the use of financial derivatives in order to hedge risks. Students should be able to identify, measure and manage, especially (but not exclusively) market risks and credit risks. In order to apply the concepts on concrete examples and real data, the software package "R" will be used.

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Scientific sector of the lecturer: SECS-S/06
Teaching language: English
Office hours: please refer to the lecturer’s web page
Lecturing assistant: TBD
Teaching assistant: Not foreseen
Office hours: TBD

List of topics covered: Students will learn concepts:
(A) structure and mechanics of OTC and exchange markets
(B) (coherent) risk measures
(C) market risk: bond fundamentals, derivatives, introduction to market risk, sources of market risk (interest rate risks,
equity risks, currency risks, commodity risks), hedging linear risk (forwards, futures, swaps), nonlinear risk (options), modeling risk factors, Value-at-Risk (VaR) and Conditional Value-at-Risk (CVaR or expected shortfall), VaR mapping, historical and parametric VaR estimation, back testing, stress testing and scenario analysis.

(D) credit risk: introduction to credit risk, actuarial default risk (credit rating), default risk from market prices (Merton model, bonds with embedded prices), credit VaR, expected and unexpected credit losses, credit derivatives,

(E) liquidity risk

(F) financial disasters and risk management failures will be discussed.

**Learning outcomes**

- **Knowledge and understanding:**
  Knowledge of the major risk sources. Understand the principles of how to identify, measure (with appropriate models) and hedge (with appropriate instruments) financial risks.

- **Applying knowledge:**
  Ability to measure financial risks and to hedge them with financial derivatives. Practical examples will be analyzed together in class by using the software package "R".

- **Making judgments:**
  Relevant examples should encourage students to express their own judgments in classroom and to improve their problem-solving skills.

- **Communication skills:**
  The applied teaching method (mix of theory and applications) should stimulate the participation of students in classroom discussions.

- **Learning skills:**
  The course should provide the necessary foundations in financial risk management, such that students could either continue their academic career in a PhD program or work for the industry.

**Assessment**

Written exam at the end of the semester. The questions included in the final exam are aimed at assessing the acquisition of knowledge and understanding (identify, measure and manage different risks), and the ability to apply them to new situations.

**Assessment language**

English
<table>
<thead>
<tr>
<th>Evaluation criteria and criteria for awarding marks</th>
<th>Assessment based on final exam (100%). Threshold (18 out of 30+ points).</th>
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<tbody>
<tr>
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<td>Selected chapters from CFA Institute Curriculum 2018 edition, Level I–III</td>
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